Supreme Court, U.S.
F I L E D
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No. 93-668

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1993

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HANOVER SOCIETY FOR THE DEAF, INC.

Petitioner,

v.

BOARD OF SUPERVISORS OF HANOVER COUNTY,

Respondent.

*

On Petition For Writ Of Certiorari
To The Virginia Supreme Court

*

REPLY BRIEF
IN SUPPORT OF GRANTING PETITION

*

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Deaf, Inc.
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QUESTIONS PRESENTED

All of the questions presented by Society are appropriate for review under Rule 10 of the Supreme Court. All of County statements are incorrect and misplaced argument under the questions presented.

The first question shows denial of Fifth, Sixth, Ninth, and Fourteenth Amendment Rights. Since Society had no right to subpoena witnesses to the Administrative hearing, or to cross-examine anyone, (County put no evidence on at Administrative Hearing) how can Society ever properly defend itself if it cannot subpoena witnesses and have the benefit of their testimony. Under the facts of this case, it is easily understandable why County would want no witnesses to testify.

County's position regarding the second question places County, and Virginia Courts, in direct conflict with the Comforter, supra, case and the Ohio Courts. That Court found no problems with "legitimate entitlement" and "cognizable property interest" invoking due process because "once State establishes a system for distribution of bingo licenses, the due process clauses impose requirement of fundamental fairness under the Fifth and Fourteenth Amendments."

Society has paid to County a percentage bingo fee of over $ 89,000.00, in total, since 1978. It has been in business with the County with annual approvals and expectations of annual approvals.

The third question is critically

important because unless a fair and uniform standard for evidentiary process is established, serious Constitutional rights violations will occur as they have in this case.

The fourth question clearly identifies the aspect of the Virginia Code that is "vague".

The fifth question illustrates the many specific examples of denial of fundamental fairness. It is not surprising that County fails to recognize the examples because they fail to recognize the principle.

County's response to the sixth question basically means that to have a sham Administrative hearing and to pay, at best, lip service to Constitutional guarantees is entirely proper as long as County prevails.

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BOARD OF SUPERVISORS OF HANOVER COUNTY,
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On Petition For Writ Of Certiorari
To The Virginia Supreme Court

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REPLY BRIEF IN SUPPORT OF GRANTING PETITION

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STATEMENT OF THE CASE

This reply brief is filed in response to new argument raised in the Brief in Opposition of Respondent filed on November 29, 1993.

STATEMENT OF FACTS

Society finds that County's Statement of Facts leads to many false impressions and errors. County extended Society's permit to February 9, 1993 not because of the request of counsel for Society, but because of the threat of immediate and imminent injunction after Society had filed suit in early February, 1993.

County falsely claims that the Circuit Court, at the pretrial conference, "would receive additional evidence only if it were clearly required to meet the ends of justice." The Court said it would receive evidence to meet the ends of justice. Both Society and County subpoenaed witnesses to meet that end.

No agreement of counsel was reached

regarding the transcript or record.

At the February 8, 1993 hearing, Society stated, that despite the prior failure of its efforts to obtain refinancing of its mortgage, it would immediately apply again for refinancing -- which it did. Society advised County on that date that results of refinancing requests would be promptly forwarded to County, and Society did that as well.

In reference to the neighboring Henrico County bingo rent study, which County argues had "no apparent relevance", County's attorney argued on March 10, 1993, that the Henrico County bingo rent publicity had caused Hanover to take a new look at expenses in Hanover (TR. page 68). The results of the study clearly show that the Society's mortgage payment was less than what it

would have been charged in rental payments, without any of the benefits of ownership.

County tells the Court that Society's subpoenaed witnesses were in Court on March 10, 1993, "ostensibly to testify with regard to other bingo permit applications." This is only part of the critical evidence which would have come from the witnesses, Society's Opening Brief details the extent of the denied testimony from witnesses.

What had the Court "ruled it had reviewed", as County argues? No "hearing" occurred on March 10, 1993, only argument of counsel.

Society was formed in October of 1975, not 1978. It was formed as stated throughout the proceeding, because of Ronald Eddleton, a family member, now age

26, who is totally deaf, and other similarly situated hearing impaired individuals.

Society began bingo operations in 1978, three years after its inception.

The 1981 suit over rents was dismissed agreed. Allegations of excessive rent were false as indicated by an M.A.I. appraisal of rents. (App. 47)

The deed was not recorded until 1993 because of the due on sale clause. Since 1981, County had copies of the deed, deed of trusts, agreements, sales agreement, escrow documents, and all pertinent papers.

Society has 19 regular members and over 800 associate members. All annual elections have been fairly conducted pursuant to the bylaws filed with the State Corporation Commission.

The real estate purchase price was for a lower monthly payment than the corresponding rent and the purchase precluded expected future increases in annual rental payments. Society acquired equity in the property.

Society did file an adequate audit opinion to meet the requirements of Virginia Code Section 18.2-340.6 (B)(3). Its CPA's opinion letter (App. 1) is the same as its previous approval letter for the past three years. (App. 5, 9, 13) Virginia Code Section 18.2-340.6(B)(3) had the same CPA filing requirements since 1989. Society's CPA's letter is in fact, consistent, and almost identical, to all other permit holders' letters for 1993 (App. 16, 21, 25, 29, 33, 37, 42)

There were no violations cited in Society's opinion letter. Other

organizations' CPA's opinion letters contain numerous violations by those other organizations.

County's reference to Society's CPA's failure to address the second and third standards of accounting review specified in the statute (18.2-340.6 (B)(3) fail to report to this Court that none of the other permit holders' audit opinions address the second or third standards (App. 16, 21, 25, 29, 33, 37, 42). This is a classic example of denial of equal protection, since County did not deny approval to any other permit holders for the exact same alleged shortcomings County argues to this Court.

Society has printed, at great expense and effort, all of the other permit holder's opinion letters in the attached Appendix to prove County's

flagrant denial of equal protection.

County made same argument to Trial Court on March 10, 1993, and Society proved to the Court that the County was denying equal protection. There is no fundamental fairness of treatment for Society.

For reasons fully argued in Society's Opening Brief, County's claim of percentages for charity is false. The Trial Court Judge commented to the percentage question on March 10, 1993, "I don't know that percentages have anything to do with it." (TR. page 106).

REASONS FOR GRANTING WRIT

I. Petitioner's arguments do not exclusively raise questions of interpretation of State laws.

The lower Court decision was based on a number of factors including the many

undenied violations of equal protection and due process which were not addressed in Respondent's Brief.

The County's alleged "cogent reasons" for denying the permit are groundless and totally without foundation. County desires the Court to consider its "reasons" to the exclusion of all estoppel, due process, equal protection and laches arguments.

Society points out that County cited no specific objective Code Sections which County or the Court found Society had violated.

County argues "Society has presented no evidence . . . ", when it was the County, and Court, who refused to allow evidence at Trial. Even the limited record before the Trial Court proves all of the error, fraud, corruption, and

abuses of authority needed to review this case. In Ohio, an applicant proceeds to review on the solid footing of due process and fundamental fairness. In Virginia, an applicant proceeds to review before an Administrator, whom the Court says has "carte blanche" authority. (TR. pg. 110)

The County Administrator began the annual review by falsely accusing Society of violating the law. When Society responded, "The tone of your letter was quite threatening. I personally do not appreciate being menaced by your letter or its intimidating message. You should have in your office records; the necessary files which would have addressed your concerns and answered this inquiry without ever having to send a letter threatening our organization

with "enforcement action". The Administrator apologized and had to eat crow. (TR. pg. 64); (App. pg. 50, 52) A review of these letters shows ample motive for the Administrator's subsequent actions.

II. Administrator's decision is not consistent with the equal protection and due process rights of the applicant (Society).

County argues, "Decisions of State Court adequately supported by State Law are not reviewed by this Court unless there are substantial or "grave" Federal questions raised. U.S. v. Johnston, 268, U. S. 220 (1925)."

That case, from the Circuit Court of Appeals for the Second Circuit, never uses the word "grave" Federal questions. The case offers nothing to the relevant

issues raised in this case.

Enterprise Irrigation District v. Farmers Mutual Canal Co., 243 U. S. 157, also fails to deal with an applicant who has been licensed, paid fees, and is regulated by State action in all that it does -- an organization who has an expectancy of State approval, and who must rely on prior State and County rules and precedents.

Any non-Federal ground in this case is so interwoven with Federal grounds as not to be an independent matter, or is not of sufficient breadth to sustain the judgment without any decision of the other. Moran v. Horsley, 178 U. S. 205, Creswill v. Grand Lodge K.P., 225 U. S. 246. Enterprise, supra page 165.

County's argument about the non-Federal ground is certainly unfounded

that it properly may be regarded as essentially arbitrary, or a mere device to prevent a review of the decision upon the Federal question, Leathe v. Thomas, 207 U. S. 93, Vandalia R. Co. v. Indiana, 207, U. S. 359, Enterprise, supra, p. 165.

This case makes cogent claims of unwarranted and arbitrary discrimination.

Scott v. Greenville County, 716 F 2d. 1409, Board of Regents v. Roth, 408 U.S. 564, and Gardner v. Baltimore Mayor and City Council, 969 F 2d. 63 have very little if any, relevance to the facts of this case. This is not a zoning case or an untenured professor with a one year expired contract.

County fails to show how "ample" due process rights have been allowed in this case. Their claim is a sham.

It is disputed, for the many reasons previously listed, "that the Society was provided with detailed notice and ample opportunity to be heard."

The Mathews v. Eldridge, 424 U.S. 319 case, cited on page 11 of Respondent's brief, involves a person whose Social Security benefits were terminated -- not a bingo permit holder.

That Court pointed out that the individual in fact had a statutory created property intent protected by due process clause of the Fifth Amendment. The Court further noted that fundamental requirement of due process is opportunity to be heard at meaningful time and in meaningful manner. U.S.C.A. 5, 14. Armstrong v. Manzo, 380 U.S. 545; Grannis v. Ordean, 234 U.S. 385.

The Court also noted that due

process is not a technical conception with fixed content unrelated to time, place, and circumstances; rather, it is flexible and calls for such procedural protections as particular situations demand. U.S.C.A. 5, 14. Cafeteria Workers v. Mc Elroy, 367 U.S. 886.

Society argues that under the facts of this case a hearing, with subpoenaed witnesses, approximately a judicial trial was necessary. Goldberg v. Kelly, 397 U.S. 266. Wheeler v. Montgomery, 90 S. Ct. 1026. This could only have been at the appeal level, when all the records of all holders were available, to meet the ends of justice.

County and Administrator were clearly and unmistakably only interested in denying Society's permit in sham proceedings. County and Administrator

knew that a comparative analysis of annual reports on all other organizations would show violations of due process and equal protection. County conducted sham hearing knowing full well that all Society's audit opinion letters met all the requirements of the code and/or were not inconsistent with all approved organizations.

The Helping American People, Inc. application is readily distinguishable because that organization never held a permit in Hanover and had not been found to be in compliance, by Respondent, with all Virginia Statutes, since 1978. Principles of laches, estoppel, equal protection, and due process, do not apply as they do in this case.

Since Society has illustrated that the decision to deny its permit has no

rational basis, clearly there is an infringement of the right of equal protection. Dandridge v. Williams, 397 U.S. 471.

None of County's cited cases involve a bingo permit holder's claim for constitutional rights. Bingo applicants in Hanover and Virginia will continue to have no rights until this Court acts. The Rule of "Carte Blanche" authority will prevail.

Because County has approved all of Society's legitimate expenses and audit reports for many years it is estopped to be heard to complain about damages inflicted by its own hand. Pennsylvania v. New Jersey, 426 U.S. 660.

Since County has admitted that it has changed the rules retroactively for review of bingo permit holders'

applications (TR. page 67), the County should not be allowed to prevail based on its misleading ways. United States v. Pennsylvania Industrial Chemical Corp., 411 U.S. 655, 670-675; Moser v. United States, 341 U.S. 41; Kaiser Aetna v. United States, 444 U.S. 164; Santobello v. New York, 404 U. S. 257.

The County refuses to accept the doctrine that it may not apply a new rule retroactively, when to do so would unduly intrude upon reasonable reliance interests. NLRB. v. Bell Aerospace Co., 416 U. S. 267, 295; Atchinson v. Wichita Board of Trade, 412 U. S. 800, 807-808; S.E.C. v. Chenery Corp., 332 U.S. 194.

CONCLUSION

County was never required to put on evidence at the Administrative hearing or Appeal that Society violated any laws.

Society was never allowed to cross examine any of the County witnesses or to call its own witnesses.

Court is requested to grant a Writ of Certiorari on all six questions presented. This is Society's last stop. Please help!!

Appendix 1

Compliance Letter from Frank N. Stahl, Certified Public Accountant dated November 30, 1992.

Hanover Society for the Deaf
Ashland, Virginia

I have audited the statement of cash receipts and disbursements of the bingo game of the Hanover Society for the Deaf for the fiscal year ended September 30, 1992. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards

require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipt in the cash receipts and disbursements journal. Accordingly, it was impractical to extend our audit beyond the receipts recorded in

the cash disbursements journal.

As described in the Note to Financial Statements, The Hanover Society for the Deaf follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustment, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at September 30, 1992 and the recorded cash transactions for the year then ended, on the basis of accounting described in Note

1.

/s/ by Frank N. Stahl, CPA

Note to Financial Statements

September 30, 1992.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present results of operations as would a statement of income.

App. 5

Compliance Letter from Frank N. Stahl, of Stahl and Meredith, P.C., Certified Public Accountants dated November 25, 1991.

Hanover Society for the Deaf
Ashland, Virginia

We have audited the statement of cash receipts and disbursements of the bingo game of the Hanover Society for the Deaf for the fiscal year ended September 30, 1991. This financial statement is the responsibility of the organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted

auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipt in the cash receipts and disbursements journal. Accordingly, it was impractical to extend

our audit beyond the receipts recorded in the cash disbursements journal.

As described in the Note to Financial Statements, The Hanover Society for the Deaf follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustment, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at September 30, 1991 and the recorded cash transactions for the year then ended, on

the basis of accounting described in Note 1.

/s/ by Frank N. Stahl, CPA of Stahl and Meredith, P.C.

Note to Financial Statements

September 30, 1991.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present results of operations as would a statement of income.

App. 9

Compliance Letter from Frank N. Stahl, Certified Public Accountant dated November 23, 1990.

Hanover Society for the Deaf
Ashland, Virginia

I have audited the statement of cash receipts and disbursements of the bingo game of the Hanover Society for the Deaf for the fiscal year ended September 30, 1990. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted

auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipt in the cash receipts and disbursements journal. Accordingly, it was impractical to extend

my audit beyond the receipts recorded in the cash disbursements journal.

As described in the Note to Financial Statements, The Hanover Society for the Deaf follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustment, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at September 30, 1990 and the recorded cash transactions for the year then ended, on

the basis of accounting described in Note 1.

/s/ by Frank N. Stahl, CPA

Note to Financial Statements
September 30, 1990.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present results of operations as would a statement of income.

App. 13

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 20, 1989.

Hanover Society for the Deaf
Ashland, Virginia

I have audited the financial statements of the bingo game of the Hanover Society for the Deaf as of and for the year ended September 30, 1989.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable

assurance about whether the financial statements are free of material misstatement. I performed tests of the organization's compliance with certain provisions of laws, regulations, and ordinances applicable to bingo operations and raffles. The management of the Hanover Society for the Deaf is responsible for the organization's compliance with those requirements. My responsibility is to report on compliance with those requirements based on my audit.

My audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of comments and findings.

The results of my test indicate that, with respect to the items tested,

the Hanover Society for the Deaf complied in all material respects, with the provisions referred to in a preceding paragraph. With respect to the items not tested, nothing came to my attention that caused me to believe that the organization had not complied, in all material respects, with those provisions.

/s/ by John E. Redd, Jr., CPA

App. 16

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 11, 1992.

Richmond East Moose Lodge # 1947
Mechanicsville, Virginia

I have audited the financial statements of the bingo game of the Richmond East Moose Lodge # 1947 as of and for the year ended September 30, 1992, and have issued my report thereon dated November 11, 1992.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed tests of the organization's compliance with certain provisions of laws, regulations and ordinances applicable to bingo operations and raffles. The management of the Richmond East Moose Lodge # 1947 is responsible for the organization's compliance with those requirements. My responsibility is to report on compliance with those requirements based on my audit. My audit procedures disclosed instances of noncompliance with the requirements of referred to above, which are described in the accompanying schedule of supplemental data.

/s/ by John E. Redd, Jr., CPA

App. 18

Schedule of Supplemental Data

September 30, 1992

Compliance Violation

1) The organization's gross receipts from instant Bingo were $ 602,263.30 for the year. As such, the instant bingo receipts represent 55.4 per centum of all gross receipts from the organization's bingo operation. According to Virginia Code Section 18.2-340.5 (B), the gross receipts from the playing of instant bingo shall not exceed 33 1/3 per centum of the gross receipts of an organization's bingo operations. Therefore, the organization is in violation.

Comments

1) Limited accounting controls are exercised over cash received during bingo

games. Attendance is determined by the sale of pre-numbered tickets, therefore expected receipts from admission can be computed. However in my tests of daily game logs, none of the computed admission receipts agreed with the reported admission gross receipts. Receipts from sales of special game packs, floor sales, instant bingo and raffles can be determined solely by the cash remitted. There are limited controls in place, whereby the receipts reported can be verified; therefore my audit tests have been limited to tests of transactions recorded on the cash receipts and disbursement journals. Management has advised me that it is impractical to take inventories of bingo supplies or impose similar control procedures.

2) Bank deposits are not made timely

following the weekend bingo games. The receipts from the games played June 6 and 7 were not deposited until June 17. The organization should establish a policy of promptly depositing bingo receipts in order to reduce the risk of theft or loss.

3) The audit fee paid to the County of Hanover for the fiscal year ended September 30, 1991, was overpaid by $ 59.34. The overpayment resulted from the computation of the 1 % audit fee on unaudited gross receipts rather on the audited balances.

App. 21

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 11, 1992.

Richmond East Moose Lodge # 1947
Mechanicsville, Virginia

I have audited the statement of cash receipts of the bingo game of the Richmond East Moose Lodge # 1947 for the fiscal year ended September 30, 1992. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted

auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipts in the cash receipts and disbursements journal. Accordingly, it was impractical to extend

my audit beyond the receipts recorded in the cash receipts and disbursements journal.

As described in the Note to Financial Statements, the Richmond East Moose Lodge # 1947 follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustments, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at September 30, 1992, and the recorded

transactions for the year then ended, on the basis of accounting described in Note 1.

/s/ by John E. Redd, Jr., CPA

Note to Financial Statements

September 30, 1992.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present results of operations as would a statement of income.

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 5, 1992.

Mechanicsville Lions Club
Mechanicsville, Virginia

I have audited the financial statements of the bingo game of the Mechanicsville Lions Club as of and for the year ended September 30, 1992, and have issued my report thereon dated November 5, 1992.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed tests of the organization's compliance with certain provisions of laws, regulations and ordinances applicable to bingo operations and raffles. The management of the Mechanicsville Lions Club is responsible for the organization's compliance with those requirements. My responsibility is to report on compliance with those requirements based on my audit. My audit procedures disclosed instances of noncompliance with the requirements of referred to above, which are described in the accompanying schedule of supplemental data.

/s/ by John E. Redd, Jr., CPA

App. 27

Schedule of Supplemental Data

September 30, 1992

Compliance Violation

1) The organization's gross receipts from instant Bingo were $ 180,128.00 for the year. As such, the instant bingo receipts represent 43.3 per centum of all gross receipts from the organization's bingo operation. According to Virginia Code Section 18.2-340.5 (B), the gross receipts from the playing of instant bingo shall not exceed 33 1/3 per centum of the gross receipts of an organization's bingo operations. Therefore, the organization is in violation.

Comments

1) Limited accounting controls are exercised over cash received during bingo

games. Attendance is determined by the sale of mini, super and maxi game packs. Receipts from sales of special game packs, floor sales, instant bingo and raffles can be determined solely by the cash remitted. There are limited controls in place, whereby the receipts reported can be verified; therefore my audit tests have been limited to tests of transactions recorded on daily game logs and the cash receipts and disbursement journals. Management has advised me that it is impractical to take inventories of bingo supplies or impose similar control procedures.

2) The bank statement does not signify that this is for the bingo operations. The account title should be modified so it will read Mechanicsville Lions Club, Bingo Account.

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 5, 1992.

Mechanicsville Lions Club
Mechanicsville, Virginia

I have audited the statement of cash receipts of the bingo game of the Richmond East Moose Lodge # 1947 for the fiscal year ended September 30, 1992. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards

require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipts in the cash receipts and disbursements journal. Accordingly, it was impractical to extend my audit beyond the receipts recorded in

the cash receipts and disbursements journal.

As described in the Note to Financial Statements, the Mechanicsville Lions Club follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustments, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at September 30, 1992, and the recorded transactions for the year then ended, on

the basis of accounting described in Note 1.

/s/ by John E. Redd, Jr., CPA

Note to Financial Statements

September 30, 1992.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present results of operations as would a statement of income.

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 16, 1992.

Veterans of Foreign Wars of the United States
Post 9808
Mechanicsville, Virginia

I have audited the financial statements of the bingo game of the Veterans of Foreign Wars of the United States Post 9808 as of and for the year ended September 30, 1992, and have issued my report thereon dated November 16, 1992.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed tests of the organization's compliance with certain provisions of laws, regulations and ordinances applicable to bingo operations and raffles. The management of the Veterans of Foreign Wars of the United States Post 9808 is responsible for the organization's compliance with those requirements. My responsibility is to report on compliance with those requirements based on my audit. My audit procedures disclosed instances of noncompliance with the requirements referred to above, which are described in

the accompanying schedule of supplemental data.

/s/ by John E. Redd, Jr., CPA

Schedule of Supplemental Data

September 30, 1992

Compliance Violation

1) The organization's gross receipts from instant Bingo were $ 250,741.00 for the year. As such, the instant bingo receipts represent 34.7 per centum of all gross receipts from the organization's bingo operation. According to Virginia Code Section 18.2-340.5 (B), the gross receipts fro the playing of instant bingo shall not exceed 33 1/3 per centum of the gross receipts of an organization's bingo operations. Therefore, the organization is in violation.

Comments

1) Limited accounting controls are exercised over cash received during bingo games. Attendance is determined by the sale of pre-numbered tickets, therefore expected receipts from admission can be computed. Beyond that, receipts form sales of special game packs, floor sales, instant bingo and raffles can be determined solely by the cash remitted. There are limited controls in place, whereby the receipts reported can be verified; therefore my audit tests have been limited to tests of transactions recorded on daily game logs and the cash receipts and disbursement journals. Management has advised me that it is impractical to take inventories of bingo supplies or impose similar control procedures.

Compliance Letter from John E. Redd, Jr., Certified Public Accountant dated November 16, 1992.

Veterans of Foreign Wars of the United States
Post 9808
Mechanicsville, Virginia

I have audited the statement of cash receipts of the bingo game of the Veterans of Foreign Wars of the United States Post 9808
for the fiscal year ended September 30, 1992. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following

paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipts in the cash

receipts and disbursements journal. Accordingly, it was impractical to extend my audit beyond the receipts recorded in the cash receipts and disbursements journal.

As described in the Note to Financial Statements, the Veterans of Foreign Wars of the United States Post 9808 follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustments, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first

paragraph presents fairly, in all material respects, the cash balance at September 30, 1992, and the recorded transactions for the year then ended, on the basis of accounting described in Note 1.

/s/ by John E. Redd, Jr., CPA

Note to Financial Statements
September 30, 1992.

Summary of Significant Accounting Policy:

The organization's policy is to prepare it's financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the

financial statements are not intended to present results of operations as would a statement of income.

Compliance Letter from Melvin E. Rosen, Jr., Certified Public Accountant dated December 4, 1992.

Independent Auditor's Report

Mechanicsville Little League, Inc.
Mechanicsville, Virginia

I have audited the accompanying statement of cash receipts and disbursements of the bingo operations of Mechanicsville Little League, Inc. for the fiscal year ended September 30, 1992. This financial statement is the responsibility of the organization's management. My responsibility is to express an opinion on this financial statement based on my audit.

Except as discussed in the following paragraph, I conducted my audit in

accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

Limited accounting controls are exercised over cash receipts prior to initial entry of the receipts in the cash receipts and disbursements journal.

Accordingly, it was impractical to extend my audit beyond the receipts recorded in the cash receipts and disbursements journal.

As described in the Note to Financial Statements, the Mechanicsville Little League, Inc. follows the policy of preparing its financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except for the effects of such adjustments, if any, that might have resulted if cash receipts referred to above had been susceptible to satisfactory audit tests, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balance at

September 30, 1992, and the recorded transactions for the year then ended, on the basis of accounting described in Note 1.

/s/ by Melvin E. Rosen, Jr., CPA

Note to Financial Statements
September 30, 1992.

Note Summary of Significant Accounting Policies:

This summary of significant accounting policies of Mechanicsville Little League, Inc. is presented to assist in understanding the organization's financial statement. The financial statement and note are representations of the organization's management, which is responsible for their integrity and objectivity. The

organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The organization prepares its financial statement on the basis of cash receipts and disbursements which is a comprehensive basis of accounting which differs from generally accepted accounting principles. Cash basis accounting recognizes revenues when cash is received and expenses when cash is actually disbursed. In contrast, under the accrual basis of accounting as required by generally accepted accounting principles, revenues are recognized in the period that earning process is complete and expenses are recognized when incurred.

MAI APPRAISAL MADE OF THE JAMAICA CLUB FOR THE FAIR MARKET RENTAL VALUE BY JAY B. CALL, III ASSOCIATES, INC. DATED MARCH 3, 1980.

Mr. B. D. Eddleton
Rt. 2, Box 416
Ashland, VA 23005

Reference: Appraisal for Fair Market
Jamaica Club, Route # 1
Hanover County, Virginia
(Our File No. 80-41)

Dear Mr. Eddleton:

Pursuant to your request of January 24, 1980, I have inspected the above captioned property, briefly described in the body of this report, and assembled data indicative of its fair market rental value for Friday and Saturday nights of 1980.

I submit, bound herewith, a report of 6 pages containing the most pertinent of the data assembled, my analysis of the same, and my conclusions.

I conclude from this analysis, subject to the limiting conditions, definitions, and certifications contained herein, that the Jamaica Club should lease on a nightly basis at $ 450.00. This rental would, of course, include all utilities and parking. The lessor would furnish equipment such as tables, chairs, etc., to accommodate the needs of the prospective user. Additionally, the lessee would benefit from the concession profits. Further, a lease term ranging from six to twelve months appears typical.

I wish to thank you for this opportunity to be of service, and if I

can be of further service or assistance, please call me.

Respectfully submitted,

Jay B. Call, III, Associates

/s/ Jay B. Call, III

Letter From John F. Berry, County Administrator to Hanover Society for the Deaf, Inc. dated October 15, 1992.

October 15, 1992

Robert D. Eddleton

Route 6, Box 1866

Ashland, VA. 23005

Dear Mr. Eddleton:

It has come to my attention that you may be conducting bingo games more frequently than allowed under the Hanover County Bingo Ordinance. Section 3.86 of the County Code provides that "no organization may hold bingo games more frequently than two calendar days in any one calendar week." According to the Finance Department records, the only organization that plays bingo at the Jamaica Club is the Hanover Society for

the Deaf. Although this Organization is allowed to play only two days per week, the sign posted in front of the Jamaica Club building advertises bingo three days per week (Thursday, Friday, and Saturday).

Please provide my office with an explanation of this apparent violation; otherwise, enforcement action will be initiated. Please provide a written response by November 2, 1992.

Thank you for your cooperation.

Sincerely,

/s/ John F. Berry

County Administrator

JFB/ba

CC: Colonel V. Stuart Cook

Sterling E. Rives, III

Letter From John F. Berry, County Administrator to Hanover Society for the Deaf, Inc. dated November 18, 1992.

November 18, 1992

Robert D. Eddleton
Executive Secretary-Treasurer
Hanover Soc. for the Deaf, Inc.
Route 8, Box 1185
Ashland, VA. 23005

Dear Mr. Eddleton:

Thank you for your prompt response to my letter regarding bingo games conducted at the Jamaica Club. As you have correctly pointed out, a new game was permitted at that location earlier this year.

Since the date of my earlier letter, a question has been raised regarding the ownership of the Jamaica Club. According

to the County's Assessment records and the recorded deed in the Circuit Court Clerk's Office (see attached) the owner of the property is Evelyn J. Eddleton, not the Hanover Society for the Deaf. These County records appear to be contrary to the representations made in your October 30, 1992 letter to me. Would you please clarify for me the ownership situation, since it affects the number of games that may be permitted on the property.

I apologize for any inconvenience that I may have caused with my questions. I am simply trying to be sure that our records are correct and that you are operating in accordance with Hanover County's Bingo Ordinances. I would appreciate a response by December 4, 1992.

Sincerely,

/s/ John F. Berry

County Administrator

JFB/ba

CC: Colonel V. Stuart Cook, Sheriff

Sterling E. Rives, County Attorney